

Contingency Plan with regard to Trading in TSE Markets

TSE has set a contingency plan with regard to trading in TSE markets as follows, just in case where TSE can no longer continue trading or considers it inappropriate to continue trading at TSE due to failures in the trading systems and other related systems.

This plan shall be applied when TSE is unable to continue trading or considers it inappropriate to continue trading at TSE regardless of system failures and other events caused by earthquakes/wind and flood damages, terrorist attacks and stoppage of services in the social infrastructure including electric/communication networks.

○ Basic Policy

TSE has taken on a more important role as a central market in the Japanese securities market, thus the halt of trading in TSE markets may have a much greater impact on markets at home and abroad. On the other hand, ensuring fairness in formation of prices and reliability in the market is one of the significant functions that TSE should carry out. Therefore, measures for trading in the TSE markets shall be taken by considering a balance between securing trading opportunities and forming fair prices.

○ Concrete Plans

Potential cases	Actions to be taken by TSE	Basic thoughts
I. When TSE Trading Systems fail	1. Matching Systems: <ul style="list-style-type: none"> ● Trading will only be halted in stocks that are affected by system failures. ● However, trading in ToSTNet may be halted if trading stock information and price information (e.g. base prices) cannot be received by ToSTNeT due to failures in the Stock Trading System or Convertible Bond Trading System. 2. Order-Routing Systems: ① Stocks and Convertible Bonds (Cash market): <ul style="list-style-type: none"> ● If there are any trading participants who cannot 	<ul style="list-style-type: none"> ● In the case of a system failure, trading by hand cannot be substituted for electronic trading. ● Trading will be halted as business operations such as entrusting customer orders to other

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	<p>participate in the market and TSE considers that their accumulated historical market share would amount to approximately 20% or more, trading in securities of the trading system may be halted.</p> <ul style="list-style-type: none"> ● If TSE deems such a situation may occur, trading may be halted momentarily while TSE inspects the problem and decides whether to continue trading or to resume trading. ● However, block/basket trading and closing price trading (such as ToSTNeT) will continue if there are any trading participants who can participate in TSE markets. <p>② Futures and Options market:</p> <ul style="list-style-type: none"> ● If there are any trading participants (terminals) who cannot participate in the market and TSE considers that their accumulated historical market share would amount to approximately 20% or more, trading in securities of the trading system may be halted. ● If such a situation occurs, trading will be halted momentarily, while TSE inspects the problem and decides whether to continue trading or to resume trading. ● However, off-hour trading will continue if there are any trading participants who can participate in TSE markets. 	<p>trading participants within a short period of time are considered to be difficult and the absence of market participants who have more than a certain percentage of market shares (so-called “big players”) may greatly affect the liquidity in the market at the time of failures.</p> <ul style="list-style-type: none"> ● Trading will be halted as system and business operations such as transfer of existing positions and account opening are considered to be difficult and the absence of market participants who have more than a certain percentage of market shares (so-called “big players”) may greatly affect the liquidity in the market at the time of failures.
II. When the overall TSE Market Information	<ul style="list-style-type: none"> ● All trading will be halted until the systems recover. 	<ul style="list-style-type: none"> ● If trading continues without market information, the formation of fair prices could be difficult.

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Systems go down		
III. When failures occur in the Clearing and Settlement Corporations' Systems	<ul style="list-style-type: none"> ● Actions such as deciding settlement dates will be taken by the clearing corporation (Japan Securities Clearing Corporation (JSCC)) if system failures occur in JSCC and the settlement corporations (Japan Securities Depository Center(JASDEC), Bank of Japan and clearing banks). ● If the systems in the clearing and settlement corporations require considerable time to recover, all trades may be temporarily halted. 	<ul style="list-style-type: none"> ● In order to prevent settlement risks from increasing due to the accumulation of unsettled trades.
IV. When failures occur in trading participants' systems	<p>1. Stocks and Convertible Bonds (Cash market):</p> <ul style="list-style-type: none"> ● If there are any trading participants who cannot participate in the market and TSE considers that their accumulated historical market share would amount to approximately 20% or more, trading in securities of the trading system may be halted. ● If TSE deems such a situation may occur, trading may be halted momentarily while TSE inspects the problem and decides whether to continue trading or to resume trading. ● However, block/basket trading and closing price trading (such as ToSTNeT) will continue if there are any trading participants who can participate in TSE markets. <p>2. Futures and Options market:</p> <ul style="list-style-type: none"> ● If there are any trading participants (terminals) who cannot participate in the market and TSE considers that their accumulated historical market share would amount to approximately 	<ul style="list-style-type: none"> ● Trading will be halted as business operations such as entrusting customer orders to other trading participants within a short period of time are considered to be difficult and the absence of market participants who have more than a certain percentage of market shares (so-called "big players") may greatly affect the liquidity in the market at the time of failures. ● Trading will be halted as system and business operations such as transfer of existing positions and account opening are considered to be difficult and the absence of market participants

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	<p>20% or more, trading in securities of the trading system may be halted.</p> <ul style="list-style-type: none"> ● If such a situation occurs, trading will be halted momentarily while TSE inspects the problem and decides whether to continue trading or to resume trading. ● However, off-hour trading will continue if there are any trading participants who can participate in TSE markets. 	<p>who have more than a certain percentage of market shares (so-called “big players”) may greatly affect the liquidity in the market at the time of failures.</p>
<p>V. When failures occur due to damages caused by earthquakes/ wind and flood, terrorist attacks and stoppage of services in the social infrastructure including electric /communication networks</p>	<p>1. Stocks and Convertible Bonds (Cash market):</p> <ul style="list-style-type: none"> ● If there are any trading participants who cannot participate in the market and TSE considers that their accumulated historical market share would amount to approximately 20% or more, trading in securities of the trading system may be halted. ● If TSE deems such a situation may occur, trading may be halted momentarily, while TSE inspects the problem and decides whether to continue trading or to resume trading. ● However, block/basket trading and closing price trading (such as ToSTNeT) will continue if there are any trading participants who can participate in TSE markets. ● Actions such as deciding settlement dates will be taken by the clearing corporation (Japan Securities Clearing Corporation (JSCC)) if clearing and settlement operations are halted at the clearing and settlement corporations. ● If the systems in the clearing and settlement corporations require considerable time to 	<ul style="list-style-type: none"> ● Trading will be halted as business operations such as entrusting customer orders to other trading participants within a short period of time are considered to be difficult and the absence of market participants who have more than a certain percentage of market shares (so-called “big players”) may greatly affect the liquidity in the market at the time of failures. ● In order to prevent settlement risks from increasing due to the accumulation of unsettled

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	<p>recover, all trades may be temporarily halted.</p> <p>2. Futures and Options market:</p> <ul style="list-style-type: none"> ● If there are any trading participants (participants) who cannot participate in the market and TSE considers that their accumulated historical market share would amount to approximately 20% or more, trading in securities of the trading system may be halted. ● If TSE deems such a situation may occur, trading may be halted momentarily while TSE inspects the problem and decides whether to continue trading or to resume trading. ● Actions such as deciding settlement dates will be taken by the clearing corporation (Japan Securities Clearing Corporation (JSCC)) if clearing and settlement operations are halted at the clearing and settlement corporations. ● If the systems in the clearing and settlement corporations require considerable time to recover, all trades may be temporarily halted. 	<p>trades.</p> <ul style="list-style-type: none"> ● Trading will be halted as system and business operations such as transfer of existing positions and account opening are considered to be difficult and the absence of market participants who have more than a certain percentage of market shares (so-called “big players”) may greatly affect the liquidity in the market at the time of failures. ● In order to prevent settlement risks from increasing due to the accumulation of unsettled trades.

VI. Notification system and means of contact between trading participants and TSE

Members and market participants will be contacted by any of the following communication devices and equipment which are usually used and are available at the time of a failure: simultaneous broadcast fax, TSE website and TSE-WAN (Target).
The existing network will be used between market participants/market information system users and TSE.

* This plan was revised based upon the “The Contingency Plan for Y2K” established on July 19, 1999.

In order to prevent confusion, TSE will not prepare an emergency directory.